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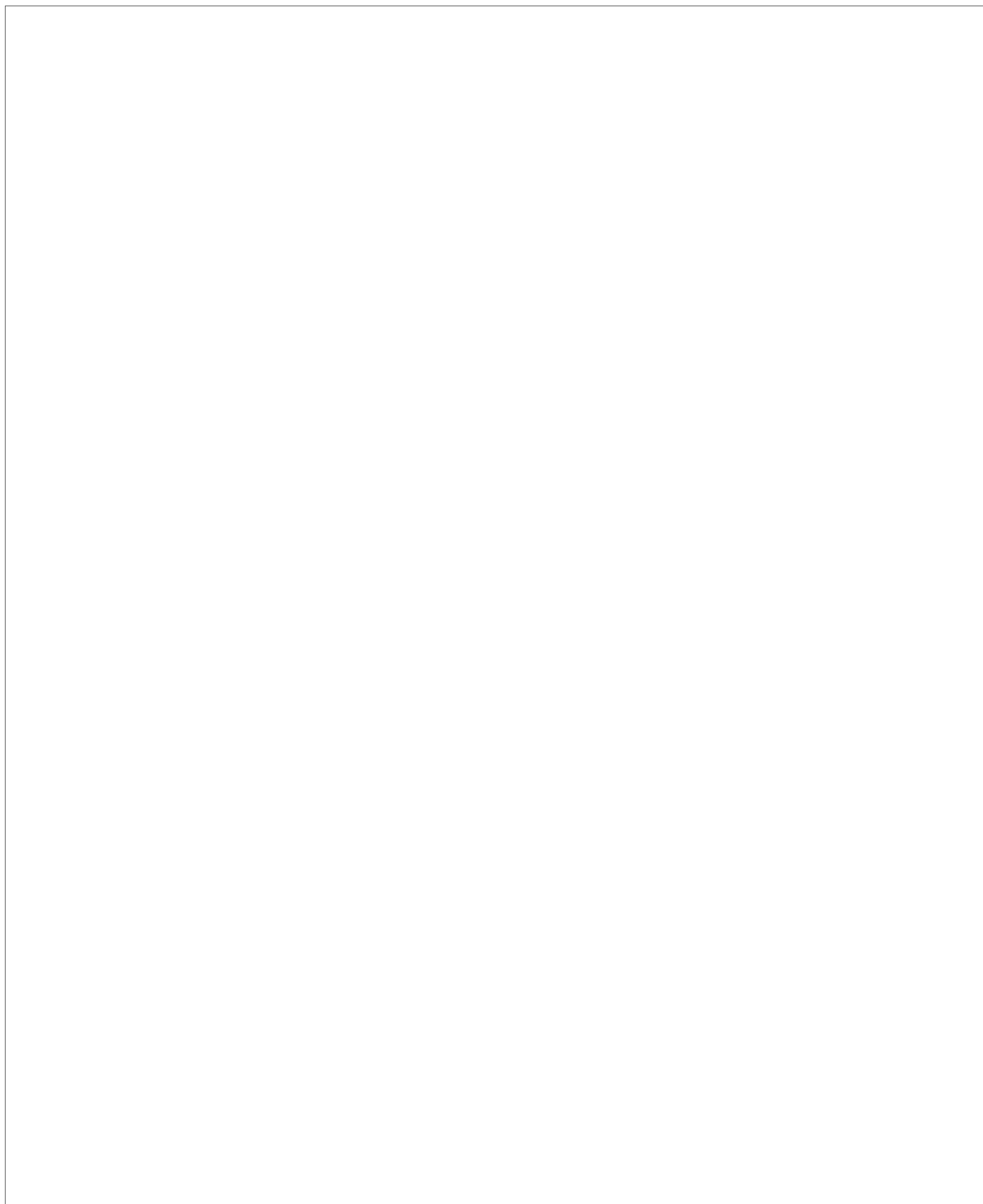
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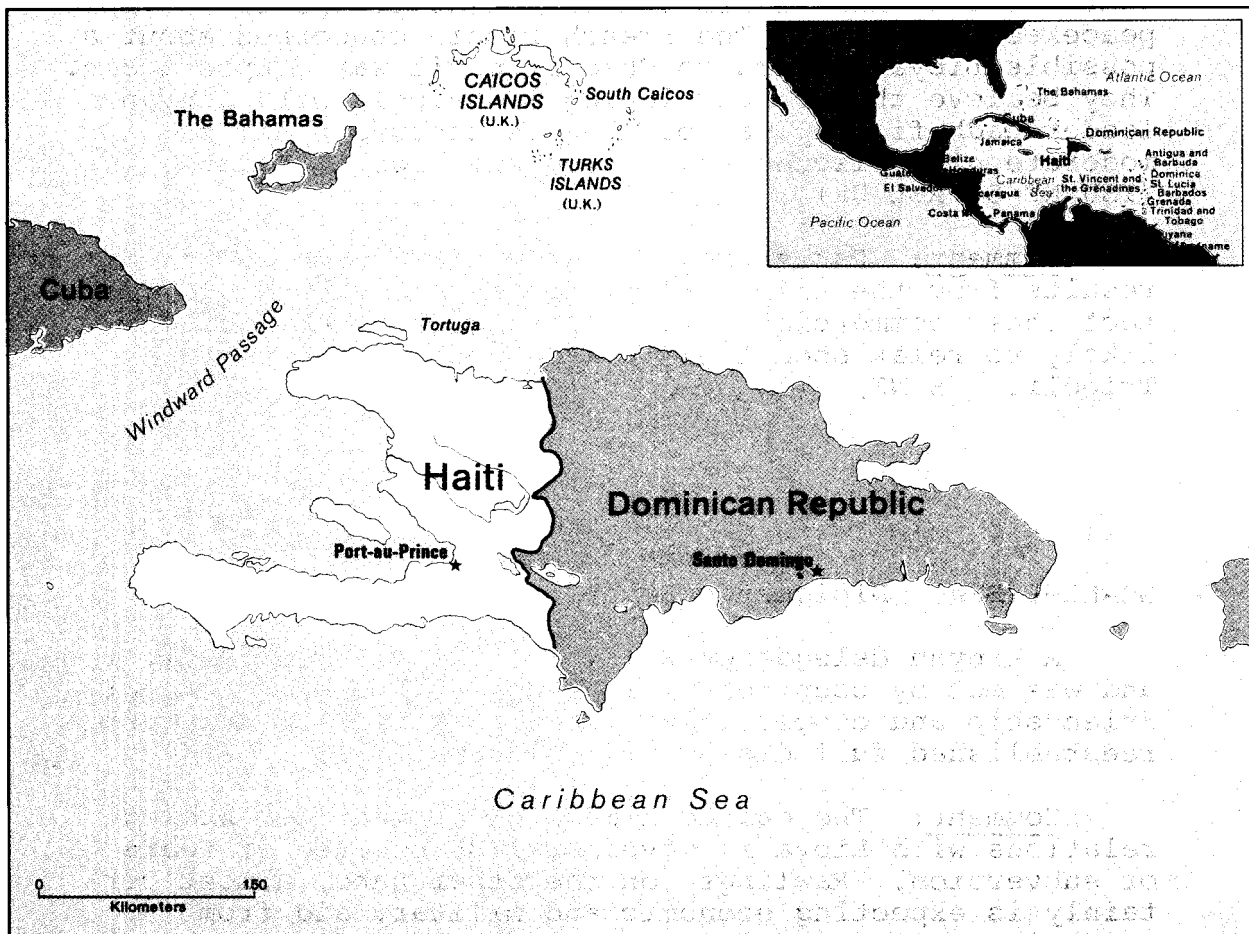
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11 January 1982









Director of
Central
Intelligence

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OCO

National Intelligence Daily

*Monday
11 January 1982*

APPROVED
FOR RELEASE ☐
DATE:
21-Jun-2010

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CO NID 82-0081X

11 January 1982

Copy 249

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The parliament, which had begun to show some independence before the imposition of martial law, is unlikely to resist the requests of martial law authorities. It could make the suspension of Solidarity permanent by enacting the suspension decree of 13 December. [redacted]

Church Frustration

1-8 Pope John Paul II denounced the martial law crack-down in Poland yesterday in the harshest terms to date, saying that the campaign of forcing workers to sign loyalty oaths violated their human rights. In speaking to university rectors last week, Archbishop Glemp was "extremely" pessimistic about prospects for the next few years and said that Church-state relations are much worse than is generally believed. Bishop Dabrowski, a close associate of Glemp, reportedly will travel to Rome this week. [redacted]

Comment: The Pope and Glemp are increasingly frustrated that the regime shows so little willingness to talk with the Church or moderate its policies. The Pope may be particularly irritated that his request for better communications with Glemp has not been answered. Glemp probably used his meeting with Jaruzelski on Saturday to get the latest reading on the Premier's intentions. [redacted]

[redacted]

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Reforms of the Economic System

Martial law has greatly reduced the prospects for basic economic reform. The government had already postponed the effective date of many reforms even before martial law. Far-reaching worker self-management is a dead issue and other measures are likely to be scaled down. []

A Council of Ministers decree on 30 December further impaired planned reforms by giving branch ministries a role again in imposing "production tasks" on enterprises and by increasing the number of industrial sectors where central control will be maintained. The government is following through on the plans for wholesale price reform and for devaluation of the zloty, but those measures will be largely ineffective unless the economy is decentralized. []

Familiar Responses

Jaruzelski is likely in the short run to steer the economy rather than rely on unfamiliar economic instruments and forces. His government will find it difficult to accept decentralization of decisionmaking, reduced central planning, and use of such market mechanisms as prices, interest rates, taxes, and profits to guide the economy. []

In the longer run, despite the apparently strong desire of the leadership to avoid the failings of the old economic system, the regime is likely to repeat the experiments of the 1960s and 1970s, when bureaucratic and party elements first limited the extent of the reforms of those years and eventually regained nearly total control of the economy. []

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Soviet Activity and Commentary

Pravda yesterday published the most authoritative Soviet commentary on events in Poland since the imposition of martial law. An article by "A. Petrov," a pseudonym representing a high level of the Soviet leadership, repeated charges made at less authoritative levels that the crisis is due largely to US manipulation of "counter-revolutionary" forces, that the US is attempting to impose its policies on its NATO allies, and that Washington now rejects the idea of a strategic balance between East and West.

1-4
Comment: The timing of the article suggests that its primary purpose is to influence West European attendees at today's meeting of NATO foreign ministers to resist participation in US sanctions. It is also probably intended to support Polish hardliners by stressing the external causes of the crisis there. A third purpose may be to warn the Soviet public that US policies could require additional military spending at the expense of Soviet consumers.

Strong West German Reaction

West German Foreign Minister Genscher yesterday stated publicly that the situation in Poland is "not improving, but getting increasingly worse." He emphasized the USSR's "grave responsibility" for events in Poland, and stated his expectation that the Allies will adopt "a clear position" at today's NATO ministerial.

Comment: Genscher is concerned by widespread Western criticisms--especially by the US media--of West Germany's perceived reluctance to take any actions against Warsaw or Moscow. He probably believes that a strongly worded Alliance statement will increase pressure on Jaruzelski to keep his promises to continue reforms. At a minimum, Genscher does not want Bonn to be blamed for any impasse at the meeting, especially so soon after he and Chancellor Schmidt publicly proclaimed that their views have converged with those of Washington.

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(4) GHANA-LIBYA: Diplomatic Relations

A Libyan delegation arrived in Accra on Saturday and was met by coup leader Rawlings with expressions of friendship and cooperation. Yesterday, the two countries reestablished full diplomatic relations.

1/2 Comment: The ousted Limann government had broken relations with Libya in November 1980 because of fears of subversion. Rawlings, on the other hand, almost certainly is expecting economic and military aid from Tripoli. The nature and extent of such assistance may become known after the current talks conclude, possibly later this week.

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② NICARAGUA: Strategic Road Construction

The government is building a new all-weather road to the isolated northeast, where there has been an increase in antiregime activity in recent months.

The 425-kilometer road is being built with large-scale Cuban assistance, and it will link the center of the country with the key Atlantic coast port of Puerto Cabezas--a regional military headquarters with a major airfield. Military supplies for government forces now arrive primarily by air or sea.

Progress on the road appears to have been fairly steady despite the difficult terrain--about 65 percent is complete.

1/3 Comment: The road probably will not be finished before the rainy season begins in May. Once it is completed, it will allow better reinforcement of small garrisons that have been unable to contend effectively with anti-Sandinista bands operating from Honduras, whose raids have endangered important gold-mining and forestry activities.

The road also will facilitate the political integration of a culturally distinct region with the rest of the country. The area's inhabitants, mostly English-speaking blacks and Indian tribes, have traditionally supported separatist movements and have shown little enthusiasm for the Sandinistas.

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① POLAND: Ready Government Programs

Premier Jaruzelski will present his political and economic program to the parliament next week. Pope John Paul II and Polish Church leaders have become increasingly irritated at martial law restrictions.

The Soviets are continuing their efforts to influence today's NATO meeting. West German Foreign Minister Genscher issued a tough statement to counter the perception that Bonn is reluctant to take action against Warsaw or Moscow.

A government spokesman told a press conference on Saturday that Premier Jaruzelski will present his political and economic program to the parliament about 20 January. A Polish official told a US Embassy officer recently that there has been some slippage in making this program public because Jaruzelski wants it to be a comprehensive statement with deadlines and target dates for achievements. The parliament will also reportedly pass into law the decrees announced by the martial law authorities.

Comment: Another reason for the delay probably is that Jaruzelski is receiving conflicting advice. Although he is said to favor continuing the process of reform, there undoubtedly are many who want to rescind the concessions made under Solidarity's pressure and possibly outlaw the union entirely.

Even the moderates among the authorities seem to believe that Solidarity's activities must be curtailed. In particular, they want to prevent intellectuals from playing a leading role in the union. They probably hope that a workers' union forced to concentrate on economic issues will be easier to control.

Solidarity leader Walesa, other union leaders, and the Church are unlikely to accept such a subservient role for Solidarity. It seems likely that they will try to circumvent government restrictions.

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SPECIAL ANALYSIS

① POLAND: Jaruzelski's Economic Measures

Premier Jaruzelski is turning his attention to rebuilding the economy, now that overt resistance to martial law has been at least temporarily suppressed. Despite the negative impact of martial law on the attitudes of the workers, his program may lead to some stabilization in the retail market and to increased production in some sectors in the short run. Prospects for implementing effective economic reforms and policies are poor, however, and Poland's basic economic problems are likely to continue. This, coupled with austerity, will leave the people with the same economic grievances that contributed to the events of August 1980.

Financial problems will remain a serious obstacle to economic recovery. Western creditors are not likely to restore Poland's credit until its debt payments are rescheduled. Warsaw needs to demonstrate that it can pay at least the interest on past credits and to show some progress toward a sustained economic revival and toward political stability.

1/2 The regime has taken advantage of the martial law period to schedule 300- to 400-percent increases in retail prices for a wide range of food items and for domestic utilities. These increases are to be offset by wage adjustments only for low income earners. They are needed to absorb the excess purchasing power in the hands of the population and thereby reduce shortages by discouraging hoarding and speculation.

If shortages are reduced, farmers might then be more willing to sell their production to the state because there would be more goods for them to buy. The price increases, however, will lead to a drastic decline in the purchasing power of the population and, if savings accounts are not adjusted for inflation, to a sharp decline in the real value of personal savings.

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⑤ HAITI: Renewed Invasion Attempt

Government security forces apparently drove eight members of Bernard Sansaricq's exile band into the hills after they landed on Tortuga Island off Haiti's northern coast Saturday from their base on South Caicos Island. Sansaricq, whose ill-conceived plan to invade Haiti on Friday was foiled by Turks Islands and Caicos Islands officials, remained behind but claimed that his force was preparing an imminent invasion of the mainland. The Haitian Government has dispatched forces to pursue the exiles. []

1/4 Comment: The small size of the exile force and its lack of substantial weaponry make it an unlikely threat to the Duvalier government. Authorities in Port au Prince are calm, indicating their confidence that the exiles will be rounded up. The situation remains confused, however, owing to the poor state of communications in northern Haiti and Sansaricq's unrealistic statements to the press. []

⑥ BERMUDA: New Premier To Be Chosen

1/2 Bermuda's ruling party will vote Friday on a replacement for Premier Gibbons, who resigned last week. Gibbons's resignation was anticipated. The United Bermuda Party--which has ruled the island since 1968 and generally represents white interests--is to elect Home Minister Swan, a US-educated black, as his successor. Swan, like Gibbons, is sympathetic toward the US and believes Bermuda should look to Washington for its future security needs when the island achieves independence from the UK--now projected to occur within three years. []

Comment: The ruling party has only a narrow majority in the House of Assembly, and Gibbons's successor will be under growing pressure from the black-based opposition party to accelerate the timetable for independence, pursue a nonaligned foreign policy, and address social and racial inequities. []

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The martial law regime so far has not won the confidence of the farmers, which will be necessary if food supplies are to be increased. Although the regime has not vetoed any pending liberalization changes in agricultural policy, it has threatened to force deliveries of food. This would increase food supplies to only a limited extent because some private farmers are likely to react by killing their livestock and destroying their crops. [REDACTED]

The recent resumption of a six-day workweek in the mines and other key industries probably will lead to some increases in production, although the lack of Western food, raw materials, spare parts, and equipment will be important constraints. Even though the regime has suggested that working hours may be reduced to previous standards once martial law is lifted, it probably will be unwilling to risk losing the added production. [REDACTED]

Coal output has already jumped substantially, according to official data. If this trend is real, and if it continues, coal production this year may reach 180 million tons, compared with the target of 168 million tons prior to the imposition of martial law. [REDACTED]

Popular Resentment

The austerity measures are extremely unpopular and are virtually eliminating any government hopes of winning worker support and of discrediting Solidarity. Workers will remember that Solidarity attached stringent conditions to a general retail price hike and refused repeated government attempts to restore the six-day workweek. [REDACTED]

The government can hope that initial resentment may be reduced if its policies make goods more available and shopping more convenient. Authorities recognize that the price issue is an explosive one, however, and martial law controls are likely to be extended beyond the date of the price increases. [REDACTED]

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